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Liberal Intergovernmentalism and Integration: A Rejoinder

ANDREW MORAVCSIK*

*Center for European Studies, Harvard University,
27 Kirkland Street, Cambridge, Massachusetts 02138, USA*

I. Introduction

Daniel Wincott's article issues a welcome challenge to liberal intergovernmentalist (LI) explanations of European integration.¹ He offers a bold, wide-ranging and insightful critique, posing questions not just of theoretical and empirical interest, but of philosophical and methodological import as well. Wincott is correct that LI, as currently elaborated, would profit from greater rigour and refinement and cannot account for all aspects of European integration. His focus on the complex issues that arise when power is delegated to supranational actors under conditions of imperfect information and uncertainty illuminates important lines of future inquiry for students of European integration and international co-operation more generally.

Nonetheless, I maintain that LI remains the indispensable and fundamental point of departure for any general explanation of regional integration. My response to Wincott is in two parts. The first answers Wincott's claim that LI is atheoretical and rebuts his assertion that supranational policy entrepreneurship provides a more fundamental explanation of the specific case of the Single European Act (SEA) and European integration more generally. The second

¹ I am grateful to Anne-Marie Slaughter, Helen Wallace and Jacques Hymans for comments, and also to Daniel Wincott for correspondence concerning his initial critique.

constructs a principal-agent model on LI foundations and utilizes it to theorize the conditions under which delegation of power to supranational actors like the European Commission and European Court of Justice (ECJ) may result in actions undesired or unexpected by individual governments.

II. The Liberal Intergovernmentalist Synthesis

Liberal Intergovernmentalism

The legacy of regional integration theory teaches that no single theory or variable explains European integration or, indeed, international co-operation more generally.² Yet the undisciplined proliferation of variables remains unsatisfying. The first task of integration theory is thus to model the relationship between different basic theories. The LI model divides the EC decision-making process into three stages – foreign economic policy preference formation, inter-state bargaining, and institutional delegation – each of which is explained by a different set of factors.

Each of the three elements must be theoretically specified. In the variant I advocate, *national preferences* are constrained by microeconomic interests, to be supplanted by geo-political and ideological motivations where economic preferences are diffuse, uncertain or weak. *Inter-state bargaining* reflects the unilateral and coalitional alternatives to agreement, including offers to link issues and threats of exclusion and exit. Such outcomes are decisively constrained by, but rarely reflect the views of, the most recalcitrant governments.³ The influence of supranational actors is generally marginal, limited to situations where they have strong domestic allies. *Delegation (or pooling) of sovereignty* occurs primarily where governments seek credible commitments under conditions of uncertainty, particularly where they seek to establish linkages and compromises among issues where non-compliance is tempting.

By drawing on regime theory, it is important to add, LI assumes that major EC decisions do not take place in anarchy, but accept previous agreements (and the societal adaptation to them) as a new status quo, with respect to which societal actors and governments calculate preferences and alternatives to agreement. It would be absurd to assume, for example, that supranational officials do not matter in daily decisions, since Member States often expressly delegate power to them and, moreover, do so under conditions of imperfect information and uncertainty. In short, each bargain is recursive, influenced by past bargains and influencing future ones. Nothing in the assumptions or causal mechanisms of LI

analysis denies the historical and path dependent quality of integration (cf. Pierson, 1995).

Is Liberal Intergovernmentalism a Theory?

Wincott characterizes LI as an approach without theoretical content – merely a set of ‘biases’. Even the brief description of LI above makes it difficult to see whence he draws this assertion.⁴ LI’s constituent parts apply and extend recognized theories in political science; its core assumptions are widely employed to explain international phenomena. Many observations would self-evidently disconfirm hypotheses derived from it. Indeed, some have employed it to explain major ‘constitutive’ bargains in EC history; others have challenged those explanations.⁵

Wincott offers two reasons for his scepticism about whether LI is a theory: one semantic, the other epistemological. His semantic criticism rests on the alleged difficulty of classifying LI as a ‘theory’ or an ‘approach’. This invites clarification. The basic tripartite structure of LI does not itself comprise a theory, but the core assumptions of a paradigm designed to facilitate a structured, theoretically explicit synthesis of modern theories of political economy, negotiation and regimes. This tripartite structure nonetheless has intrinsic theoretical content, since it is based on various assumptions, e.g. governments are the fundamental actors, they act in an instrumental fashion and, therefore, the formation of preferences analytically (though not always temporally) precedes bargaining, which in turn precedes delegation. LI requires, moreover, that each of the three steps be precisely specified; the more rigorously this is done, the greater the potential explanatory power and precision. Variants of LI may specify each step in different ways, as long as they remain consistent with its basic assumptions and with each other.

Wincott’s epistemological criticism – namely that LI is insufficiently formal and hence indeterminate, particularly as regards its theory of the state – appears to be based on a Procrustean distinction between inductive and deductive theory. Surely most social scientists would reject as excessively rigid Wincott’s assertion that we cannot ‘learn a great deal’ from models that assume rational decision-making unless they are backed by formal models. This dichotomy needlessly denies the value of ‘mid-range’ theory – at a stroke dismissing most political science classics – and forecloses the empirical evaluation of all but the most rigorous of theories. Moreover, this rather narrow methodological view

⁴ Though I have not sought to formalize variants of LI, others have done so, beginning with some, though not always all, the same specifications (Garrett and Weingast, 1993; Schneider, 1994).

⁵ The restriction of LI applications to ‘grand bargains’ is a theoretically justified first step, since such bargains are less constrained by powers previously delegated to supranational actors or complex domestic policy processes. Nonetheless, this does not foreclose the possibility that LI, properly specified, will be helpful in explaining many everyday decisions as well (see Section II of this article).

² This section recapitulates elements from Moravcsik (1991), (1992), (1993), (1994) and (1995).

³ This implies, though not all critics of LI have taken note, that intergovernmental decisions will, in general, not be ‘lowest common denominator’ agreements, even under unanimity voting (Moravcsik, 1993, p. 501; cf. Pedersen, 1992; Majone, 1993).

also leads Wincott into a fundamental contradiction. He simultaneously asserts that LI is not a theory and thus in principle untestable *and* that it contains inherent biases that render it incomplete and empirically incorrect. If LI is atheoretical, why does over half of Wincott's essay consist of empirical counterarguments and theoretical counterclaims? This contradiction suggests why – while Wincott is surely correct that further formal elaboration of LI would be useful – it is unhelpful to assert that once we forgo perfectly closed, deductive models, we need no longer strive for marginally greater parsimony, precision and predictability.

Even if we take the charge of indeterminacy at face value, it is based on a serious misreading of LI. Wincott claims that it is contradictory to hold an essentially pluralist view of national interest formation, yet to maintain that governments sometimes act autonomously. Yet this is not a contradiction, nor even an ambiguity, if *one specifies the pluralist conditions under which governments enjoy greater autonomy* – which I have done on several occasions. 'When net expected costs [to interest groups] are insignificant, ambiguous, balanced or uncertain, governments enjoy greater autonomy ...' (Moravcsik, 1993, p. 490). In a recent paper, I specify causal mechanisms through which and antecedent conditions under which international co-operation strengthens various domestic actors, whether national executives or societal groups (Moravcsik, 1994). In short, the *analytical* priority of pluralist theory does not imply that state autonomy cannot exist. This line of argument can and should be developed with greater rigour and precision, but this hardly justifies labelling the entire theory as 'biased', nor turning to fundamental theoretical alternatives.

Does Supranational Entrepreneurship Exist?

On the role of supranational actors, Wincott fair-mindedly concedes substantial areas of agreement with LI, including that member governments have delegated significant powers to supranational officials.⁶ So where do we disagree? Wincott's central criticism is that LI undertheorizes the 'policy feedbacks' of previous decisions, which work through 'everyday' EC activities to influence future grand bargains (but cf. Moravcsik, 1992, p. 10). The causal link, he speculates, is that policy feedbacks strengthen the Commission and the ECJ. Although he deliberately declines to present a comprehensive theoretical alternative, he asserts that one is possible and that it would 'subsume' LI.

⁶ Were constraints imposed by international institutions insignificant, regime theory would hardly be appropriate. Wincott incorrectly claims that I 'ignore the innovations ... genuinely introduced by the SEA, such as ... the extension of qualified majority voting'. The entire third paragraph of my initial article explains why qualified majority voting (QMV) was one of the two major innovations of the SEA; I later explain British acceptance of it as resulting not from lowest common denominator agreement, but from a credible threat of exclusion (Moravcsik, 1991, pp. 3, 20).

To support this view, Wincott offers two examples connected to the 1986 Single European Act (SEA). First, a 'necessary' condition for the SEA was the ECJ's earlier introduction of an innovative 'policy technology' – mutual recognition with minimal harmonization – later exploited by the Commission to promote 'Europe 1992'. Other policies, like foreign policy co-operation and environmental policy, emerged through 'everyday' EC decision-making. Second, the 'hype' connected with the SEA in 1986–87 – in particular the designation of a date (1992) for the completion of the White Paper programme – led European firms to commit themselves to cross-border trade and investment, thereby increasing pressure for the subsequent implementation of the 1992 agenda. This hype, Wincott appears to believe, came from supranational actors.

Both as a general alternative to LI and as an account of the SEA, Wincott's challenge is overstated empirically and underspecified theoretically. Wincott's evidence is both insufficient and methodologically suspect. Particularly surprising in light of his concern with the bias of theories, is his failure to test either alternative explanations or counterfactual scenarios, thus hampering any attempt to support his conclusion that policy technology and corporate hype were necessary conditions for, as opposed to coincidental elements of, the SEA. Before turning to the historical record, it is useful to consider these methodological weaknesses in more detail, since they bedevil most claims about the necessity of supranational entrepreneurship found in the literature.

Fundamental Issues in Assessing Supranational Entrepreneurship

We begin by recalling that neither Wincott nor others who advance the same argument believe that 'everyday' policies and Court decisions influence large intergovernmental decisions directly; they do so primarily through Commission entrepreneurship. Although Wincott does not specify this precisely, the claim that the Commission is an effective informal agenda-setter in international negotiations rests in turn on a deeper claim, namely that the Commission is a privileged, perhaps monopolistic provider of some unspecified 'public goods', informational in nature, which increase the efficiency or bias the outcomes of negotiations (Moravcsik, 1992). Moreover, the Commission must enjoy discretionary control over those goods; in other words, the principal-agent relation between national governments and supranational actors is imperfect. Wincott hints at this causal mechanism when he describes the Commission 'at the centre of an [institutionalized] network of knowledge' that provides it with power resources – an argument that harkens back to Haas and Lindberg and has resurfaced recently in European and American writing on the EC/EU (Haas, 1958; Lindberg, 1963; George, 1993; Sandholtz, 1992; Marks, 1994; Majone, 1992; Peterson and Bomberg, 1993; Jachtenfuchs, 1995). Though Wincott does

not specify precisely what public goods the Commission provides or how it does so, I have argued that where the Commission lacks explicit agenda-setting authority, its power would have to result from the exploitation of technical, strategic or political information which, hypothetically, places it in a privileged position to provide proposals, mediate negotiations, or mobilize domestic constituencies (Moravcsik, 1994, 1995).

To demonstrate that supranational provision of such public goods constitutes a 'necessary' condition for integration, however, it is insufficient to observe that a supranational entrepreneur – I shall continue to use the Commission as an example – has made a proposal and that something akin to it was eventually accepted. This is inadequate because a number of alternative causal mechanisms might produce this result, only some of which represent Commission 'power' at work. The veto and appointment power held by Member States over the Commission may render it a perfectly reactive agent, faced with the choice of tailoring and revising its proposals to fit member government preferences or seeing them vetoed. This was the view of Monnet himself, who counselled Commissioners to choose 'the path of least resistance' (Duchêne *et al.*, 1985; Dahl, 1969, pp. 90–1). The Commission may lack any informational monopoly, with member governments (at least those of larger states) and private groups willing and able to supply new policy ideas. In this view, Commission participation is coincidental, symbolically convenient, or a reflection of small country interests in having a neutral provider of information. Most fundamentally, apparent Commission power in a single case may simply represent the working out of linkages and risks voluntarily assumed by governments acting in a strategic, uncertain international environment.

To establish that the Commission actually enjoys an informational monopoly and the *de facto* discretion to divert governments from the outcomes LI predicts, we must pose a counterfactual question: Would similar policy ideas have been advanced even in the absence of the Commission or other supranational officials? More specifically, under what conditions are domestic and transnational interest groups, national ministries and independent scholars incapable of initiating and realizing such ideas on their own?⁷

In seeking an answer, it is essential to recall that in social science the most basic source of bias, a concept central to Wincott's critique, is not imperfect theory, but imperfect methodology. In particular, we must keep in mind the critical importance of explicit or counterfactual comparisons among theories and cases. We must examine a representative sample of Commission initiatives, not just those that proved successful; and we must examine a range of possible

⁷ Many 'necessary' factors are not causally decisive because they are always present within the range of behaviour to be explained or because they are endogenous to other factors. It is thus more useful to think in terms of 'exogenous' and 'binding' constraints on behaviour within a specified domain. The discovery of such constraints requires counterfactual reasoning (Dahl, 1969, pp. 79–93; Lukes, 1974, pp. 41–2).

explanations for the pattern of Commission success and failure. Finally, we must specify a domain.⁸ As we do this below, we find that the most egregious bias has been introduced not by LI theorists, but by those who have sought to demonstrate the importance of supranational entrepreneurship.

The Single European Act

There is good reason to believe that insufficient intergovernmental demand for policy technologies, not insufficient supranational supply of them, imposed the decisive binding constraint on non-tariff barrier (NTB) liberalization through the 1970s and early 1980s. As regards mutual recognition, what feasible alternative existed? By the early 1980s, it was clear that a *laissez-faire* system of 'national treatment' simply condoned rising NTBs, while 20 years of negotiations over 'harmonization' had proved inefficient and ineffectual.⁹ If member governments, inspired by transnational business pressure and economic policy failure, sought to liberalize the internal European market, mutual recognition had become the only remaining policy technology with a chance of succeeding.¹⁰ This is why the most rigorous study of the link between ECJ jurisprudence, Commission entrepreneurship and the SEA – indeed, the only carefully documented study of its kind – concludes only that it may have accelerated the single market programme, not that it was a necessary condition (Alter and Meunier-Aitsahalia, 1993, p. 555; see also Ehlermann, 1990, p. 1102). Comparison with the other policy technology introduced by the 'new approach' of 1985, namely the 'reference to standards' procedure, is equally instructive. This policy technology had been introduced in the Low Voltage Directive of 1973, yet its existence did not lead to more directives of its kind for a decade and a half – further suggesting that the demand, not the supply, of ideas imposes the decisive constraint on co-operation.¹¹

The 'informal accretions' cited by Wincott in fact closely conform to LI predictions. The European Council and European Political Co-operation are old-

⁸ Studies of supranational entrepreneurship, from Haas and Lindberg to the present, are rarely comparative and generally fail to pose this question (Haas, 1958; Lindberg, 1963). The data presented in some more recent studies actually support the (LI) opposite of the stated conclusion (e.g. Sandholtz, 1992, p. 303; Yondorf, 1962). Studies that do attempt counterfactual reasoning include chapters of Lindberg and Scheingold (1970), as well as Burley and Mattii (1993) and Alter and Meunier-Aitsahalia (1993).

⁹ Pearce and Bachevalier (1985); Pelkmans and Vollebergh (1986). Pelkmans and Vollebergh point out that there were other areas, such as testing, in which the Commission proposed mutual recognition. The idea was not new, but was not considered viable, due to opposition from member governments.

¹⁰ Garrett and Weingast (1993) stress the lack of a particularly salient 'focal point' solution. This intriguing argument is difficult to evaluate, either theoretically or empirically, since the authors neither specify the impediment to a negotiated solution (the lack of any distinct solution or too many functionally indistinguishable ones?), nor explain why it was difficult to 'construct' the focal point through intergovernmental negotiation. Nor, finally, do they cite empirical evidence.

¹¹ I am grateful to Mark Pollack for material that called this example to my attention (for more information, see Moravcsik, 1995, Ch. 4; Pollack, 1995).

fashioned intergovernmental arrangements. The European Council—the regular EC summit among chief executives—was specifically designed to be a flexible forum in which chief executives could circumvent supranational institutions and domestic opposition (Heath, 1993, p. 215). Environmental policy emerged through unanimous decisions of the European Council and the Council of Ministers.

Concerning corporate 'hype', let us assume for the sake of argument that the SEA did spark a rush of cross-border investment by firms seeking first-mover advantages. The decisive theoretical puzzle then becomes the following: Why do only two pieces of 'hype' in EC history appear to have had a significant effect on corporate behaviour—the Treaty of Rome, which sparked a shift in French industrial preferences, and the Single Act, which triggered a boom of cross-border investment?¹² One important reason is surely that both were unanimous intergovernmental decisions enacting concrete liberalizing policies backed by concrete and credible institutional reforms. During the two decades preceding the SEA, numerous ECJ decisions, Commission 'action plans', and transnational business proposals—real 'hype'—left private investors unmoved. Nor were corporate planners impressed by various rhetorical deadlines, such as the highly-touted October 1972 resolution by nine chief executives announcing Economic and Monetary Union (EMU) by 1980 (Gros and Thygesen, 1992, pp. 13–14).

Only unanimous decisions by governments backed by institutional commitments triggered significant corporate reactions. This suggests, I submit, that firms strategize in the shadow of national preferences and power. The export and investment booms of the 1960s and 1980s are best interpreted as the rational adaptation of firms to credible intergovernmental commitments, rather than as supranational 'hype'—precisely as LI predicts.¹³ More generally, this suggests that *intergovernmental demand* for policy ideas, not the *supranational supply* of those ideas, is the fundamental exogenous factor driving integration. To a very large extent, the demand for co-operative policies creates its own supply.

The SEA in Comparative Perspective

Nearly four decades of EC decision-making further undermine the claim that the Commission enjoys a monopoly on public goods provision and with it the notion that supranational entrepreneurship is necessary for integration. Consider three policies central to the EC: the Common Agricultural Policy (CAP), the European

Monetary System (EMS), and the provisions on political union in the (Maas-tricht) Treaty on European Union.

In the early 1960s, a period seen by Lindberg and others as the heyday of Commission entrepreneurship, the Commission failed to achieve most of its major goals. Primary among the Commission's failures was the long campaign led by Commissioner Sicco Mansholt to establish a low-cost, liberal, supranationally managed CAP. While it is true, as Lindberg observes in his classic analysis, that intergovernmental agreements tracked the Commission's proposals, member government pressure forced the repeated revision beyond recognition of its initial proposals.¹⁴ Were this not enough, the Commission lacked expertise, compared to larger, more experienced and better connected national agricultural ministries (von der Groeben, 1982, pp. 76–9). The result: the high-price, protectionist, renationalized CAP was exactly the opposite of what the Commission sought—in the words of one Monnet associate, 'a straight defeat for Mansholt' (Duchêne, 1985, p. 28). To cap its effort, the Commission's boldest act of entrepreneurship, the linkage between agricultural prices and increased supranational powers that sparked the 'empty chair crisis' of 1965–66, was many felt at the time, very nearly destroyed the EC (Camps, 1966, p. 124).

During the remarkable quarter-century of European monetary integration following 1970, the Commission has enjoyed no monopoly on entrepreneurial public goods, while the Court and Parliament have remained entirely uninvolved. During the 1970s, prior to the founding of the EMS, dozens of detailed proposals were advanced by independent scholars, chief executives, national ministries, private interest groups, central banks, intergovernmental committees and committees of wise men. Helmut Schmidt and Valéry Giscard d'Estaing, the initiators of the EMS, presented their own proposals for a system outside the reach of both the Commission, an institution for which they did not bother to disguise their contempt, and the EC legal system, which both chief executives viewed as a hindrance (Moravcsik, 1994). When the Commission did intervene, one Commissioner recalls, it lacked the specialized expertise and political judgement to advance technically competent and politically realistic proposals.¹⁵ A decade later little had changed. The central players on the Delors Committee, while under Delors' nominal chairmanship, were central bank governors. One committee member recalls Delors made or vetoed no significant

¹⁴ The greatest success of this period was the implementation of a rule-based policy essentially outside the influence of the Commission, namely the creation of an industrial customs union. The Commission's efforts to gain autonomy in international trade negotiations, independent budgetary powers and to preserve unfettered OMC proved futile (Caporaso, 1974).

¹⁵ Hans von der Groeben, Commissioner at the time, recalls that Commission officials found it 'increasingly difficult ... to follow the intricate threads of the systems of market organizations designed by [national] technocrats, who were constantly finding new ways of enabling compromises to be reached', and were therefore unable to influence the negotiations.

proposal. Governments, not supranational actors, imposed a temporal deadline for EMU (Interview, 1992).

The recent Maastricht political union negotiations furnish a final illustration. When the Commission refused to take the initiative, member governments and the Council Presidency provided over 100 separate proposals, some extremely detailed. A tiny team of Council officials, working as a classic international secretariat, supported the national Presidencies in initiating and mediating the negotiations. The only major glitich occurred in August–September 1991, when the Commission and the Dutch Presidency teamed up to promote a new, more federalist, but extraordinarily badly timed draft treaty. After the proposal was immediately voted down, with only the Belgians willing to support the Dutch, the governments returned to the intergovernmentally managed draft, concluding the negotiations a few months later.

Nor can it be assumed, as Wincott does, that the small incremental evolution tends on balance to promote supranational power in a way that suggests member governments have lost control over the process. In fact, many, perhaps most, ‘informal’ institutional changes – the empowerment of the Special Committee on Agriculture and COREPER in the 1950s, the Luxembourg Compromise in the 1960s, the creation of the European Council and the intergovernmental EMS in the 1970s, and the spread of two-track policies in the 1980s – retreat from the formally supranational character of the treaties (cf. Pierson, 1994).

These brief sketches, drawn from a larger study, suggest that the history of the EC does not support Wincott’s general claim that supranational entrepreneurship is a ‘necessary’ condition for integration (cf. Moravcsik, 1995). More important, they undermine the arguments underlying it, namely that the Commission generally provides essential public goods that increase the efficiency of inter-state negotiations or bias their outcomes; and that the Commission is at the centre of an informational network that affords it unique political insight and technical expertise too costly for Member States to acquire. On the contrary, the transaction costs and informational requirements of preparing initiatives and mediating compromises appear to be comfortably within the means of even smaller national governments, assisted by a handful of national or Council officials. While Commission involvement may sometimes expedite agreement, it has often been strikingly counterproductive and appears only rarely to have made a decisive contribution. Even if we were to concede an important role in integration for uncertainty and unintended consequences, there is little reason to believe that they work, on the whole, to promote integration and strengthen supranational officials.

This conclusion dovetails with recent innovative scholarship stressing the importance of increased institutional differentiation at the domestic and transnational level, which has not been replaced by new governance structure ‘above’

the state. The key research question is thus not to assess the relative power of national governments *vis-à-vis* supranational actors, but to explain shifts in the domestic distribution of influence, as well as the variations in the overall ability of the system to manage the problems of interdependence (Jachtenfuchs and Kohler-Koch, 1955; Scharpf, 1994; Moravcsik, 1994).

II. Towards an Intergovernmental Theory of Supranational Autonomy

Wincott rightly challenges scholars to provide better explanations of delegation to supranational institutions under conditions of uncertainty and incomplete information.¹⁶ He does so by posing, though not answering, the following question: Under what conditions may the actions of supranational officials contravene the interests of one or more member governments? This is an important question, not simply because much theoretical work needs to be done in this area, but because variation in uncertainty and information offers an interesting theoretical instrument for linking what are widely seen as disparate theories of international co-operation. In responding to this challenge below, I provide a theoretical analysis of supranational autonomy and provide an explanation for what Wincott presents as an anomaly – the extraordinary role of the ECJ in European integration.

Principal-Agent Politics and Supranational Delegation

The most important constraint on supranational autonomy, in the LI view, is the willingness of national governments to delegate (or tolerate the delegation of) political power. Domestic groups and national governments do not always challenge and oppose supranational autonomy; they often delegate and defend it. There are many reasons why governments may delegate or pool sovereignty – or tolerate such delegation and pooling. One major reason, highlighted in the variant of LI presented above, is to enhance the credibility of governmental commitments *vis-à-vis* domestic and international pressures under conditions of uncertainty. International regimes establish uniform treatment across multiple substantive decisions. Under conditions of uncertainty, future commitments must be imposed by either delegation or pooling of sovereignty, since the nature of the proper international rules are, as yet, unknown (Garrett 1993). However, delegation and pooling alter the considerations that must be weighed in any future decision of a single government. Once sovereignty has been delegated or pooled, any attempt by a government to evade or question any single decision is more likely to trigger an immediate institutional response and to undermine the basis of other decisions, past and future.

¹⁶ For other examples, see Pierson (1994) and Pollack (1995). This section was originally drafted as part of Moravcsik (1993), but was set aside in revisions.

Delegating sovereignty establishes a principal-agent relationship between member governments (multiple principals) and supranational officials, judges and representatives (multiple agents). In order to explain the extent to which supranational actors can influence decisions in a way that one or more Member States oppose, principal-agent theory suggests that we examine the extent of individual and collective control over agents exercised by principals. Such control depends, in turn, on the incentive of governments to limit supranational autonomy, the ability of governments to monitor and interpret supranational actions, and the ability of governments directly to control supranational actors through selection, sanction or veto. From this basic concern with incentives, monitoring and control, six factors may be distilled to help explain the level of discretion enjoyed by supranational agents.

(1) *Substantive Benefits of Delegation.* Governments delegate or tolerate the delegation of authority in order to achieve the benefits of an entire stream of decisions interlinked by delegation. The greater the substantive benefits resulting from this decisional stream, the more costly and risky – and, therefore, the less credible – will be any act or threat of non-compliance, exit or renegotiation, with regard to a single issue. As integration proceeds, these costs grow larger.

(2) *Asymmetrical Time Horizons.* Some governments place little importance on future events beyond the next election. Where governments have short time horizons, they may be vulnerable to strategies by supranational actors (or other governments) with longer time horizons willing to offer short-term concessions in exchange for long-term benefits (Raiffa, 1982; Pierson, 1994; Pollack, 1995).

(3) *Stability of Preferences.* Where national preferences shift unexpectedly over time, the probability increases that acts of supranational delegation once considered expeditious will in time become onerous for the same or future governments. Where the preferences of supranational authorities are more stable than those of governments, moreover, the former may be able to act incrementally to increase their power. Far-sighted governments may also employ the same technique to bind their successors.

(4) *Asymmetrical Information and Expertise.* For effective control to exist, principals must be able to monitor and evaluate the actions of agents. This requires specific information and expertise, whether scientific, political or legal. Where supranational actors enjoy greater access to information or expertise, they may be able to disguise the true significance of their actions or, indeed, manipulate the perception of it by national governments.

(5) *'Two-Level' Domestic Informational Manipulation.* As compared to other domestic groups, chief executives and cabinet ministers often enjoy privileged

access to political and technical information concerning international negotiations. Where supranational actors can mobilize influential domestic societal actors by selectively providing information to them, their power may be enhanced (Moravcsik, 1994).

(6) *Institutional Control.* The tighter the direct intergovernmental control governments exercise over the decision-making of supranational actors, the less autonomy they enjoy. Institutional controls may take the form of selection mechanisms, veto powers or coercive sanctions. Where governments lack the means to select or dismiss supranational officials, deter unfavourable action, or veto a decision, supranational autonomy may result.

Explaining the Judicial Anomaly

Five out of the six factors isolated above help explain an apparent anomaly mentioned by Wincott: the ECJ's greater autonomy, albeit across a smaller domain, than the Commission.¹⁷

Substantive Benefits of Delegation. While there is no *a priori* reason to believe that the Commission's preferred proposals enjoy support among member governments, the ECJ interprets treaty provisions or directives previously approved, often unanimously, by member governments, and in a manner acceptable to national courts. It would be rash to argue, as do Garrett and Weingast, that prior approval of a provision ensures that all member governments (or the most powerful among them) must necessarily support any ECJ interpretation, but there is surely a higher probability that most governments will approve of a particular ECJ decision than a Commission proposal (Garrett and Weingast, 1993). Moreover, non-compliance in a single case of the ECJ implicitly calls into question the enforcement of other EU laws, while opposition to a Commission proposal has no precedential import, unless linked tactically with other proposals.

Time Horizons. The importance of precedent in common law reasoning means the ECJ has a longer time horizon. Hence it has pursued a cautious, long-term strategy of attaching major legal precedents to substantively innocuous issues, thereby incrementally expanding its power (Burley and Matti, 1993). It is much harder for the Commission to do this, since individual directives have less precedential value and are scrutinized closely by the member governments.¹⁸

¹⁷ Concerning the sixth factor – number (3) above – there appears to be no reason to believe national preferences across ECJ decisions are less stable than preferences across Commission proposals.

¹⁸ In this case, the exceptions, including the quasi-legal competition policy, prove the rule.

Asymmetries of Information and Expertise. Burley and Matti have argued that the Court has employed legal language and procedures to mask its true intent, a strategy which requires that it be embedded in national legal institutions and cultures that are, to a degree, autonomous, complex and transnationally uniform (Burley and Matti, 1993). Although the Commission might in theory exploit technical, strategic or political information to provide proposals and mediate negotiations, empirical studies suggest that the tactic is of limited significance (Moravcsik, 1995).

Domestic Informational Manipulation. The ECJ has exploited Article 177 of the Treaty of Rome to construct close links with a particularly privileged domestic group, namely national judges. In every European country, a general rule-of-law ideology protects the autonomy of courts and judges; it is widely considered illegitimate to interfere in judicial affairs. Enforcement by national courts grants international norms domestic legitimacy and limits the feasibility of unilaterally opting out of individual EU regulations. The Commission, by contrast, is much less advantageously placed. It must construct ad hoc alliances with domestic groups, and there is less reason to believe that the Commission can alter their preferences concerning the EC, though this may sometimes occur.

Institutional Control. Longer terms of office and greater secrecy of decision-making afford the ECJ greater insulation from political selection oversight than the Commission. Moreover, to reverse an unwanted ECJ decision, member governments must amend the underlying law, which requires, depending on the issue, qualified majority or unanimity in the Council of Ministers. To block a Commission proposal, by contrast, opponents need only muster a single vote or a blocking minority.¹⁹ In short, the ECJ can change the status quo and challenge the majority of Member States to respond *ex post*, while the Commission generally requires approval *ex ante* in order to do so.²⁰

Underlying the looser selection and veto controls over the ECJ, as compared to the Commission's role in normal legislation or treaty revision, is the narrower scope of ECJ actions.²¹ While intergovernmental conferences can revise the Treaty of Rome and the normal legislative process is unlimited within the Treaty, the ECJ, for all its radical judicial activism, can act only through discrete decisions on concrete issues. Moreover, Wincott reminds us, ECJ influence on major bargains is intermediated by other actors (see also Alter and Meunier-

¹⁹ This suggests, paradoxically, that the move from unanimity to QMV should weaken the power of the ECJ, whose decisions can now be overridden more easily (Cooter and Drexel, 1993).

²⁰ Predicted exceptions include those areas in which the Commission can act alone, notably competition policy and commodity decisions in agriculture. Such exceptions are predicted by the theory, not ad hoc.

²¹ Even though the member governments did not foresee the purposes to which Article 177 would be put, they did constrain the scope of the ECJ (Neri and Sperl, 1960, pp. 376–8).

Aitsahalia, p. 549). While the signatories to the Treaty of Rome drastically underestimated the ability of the ECJ to exploit this autonomy, there remains, as LI predicts, a fundamental trade-off between autonomy and scope (Weiler, 1991).

Principal-agent theory provides one source of concrete predictions concerning the extent of supranational autonomy, explicitly or implicitly, by member governments. It makes sense, however, only if we accept the central LI premise that power is explicitly or implicitly delegated. The six causal mechanisms introduced above appear to explain what Wincott considers an anomaly, the power of the ECJ. Nonetheless, they remain hypothetical. The challenge for scholars today is to test them empirically and refine them theoretically. The empirical results presented above, however, suggest caution in ascribing causal primacy to the unintended and unwanted informational advantages enjoyed by supranational actors, before examining the benefits of delegation and linkage, changes in preferences, foreseeable feedback effects, and even chance.²²

III. Conclusion

As many critics now concede, LI remains indispensable and fundamental to any account of regional integration.²³ It is indispensable in both a narrow and a broad sense. Viewed narrowly, I contended in the first section of this article, the LI model of bargaining and delegation by explicit governmental agreement better explains most important decisions in EU history than the supranationalist alternative of unintended consequences steered from above. Viewed broadly, I argued in the second section of the article, LI assumptions offer a better foundation for explaining *variation* along a continuum between LI and supranationalist ideal-types, i.e. between circumstances in which the unintended accretion of supranational power takes place and circumstances in which it does not. Wincott is right to stress, if only implicitly, the potential benefits from further extension, refinement and rigour of this approach.

Wincott and others are profoundly correct when they conclude by stressing the critical and often unacknowledged importance of assumptions about information in explaining international co-operation (Pierson, 1994). In the world of 'radical' uncertainty that Wincott and others encourage us to assume – a world

²² Nor is there reason to believe that the unintended or unwanted consequences of integration tend naturally to strengthen supranational authority. While the powers of the ECJ are greater than those envisaged in the 1950s, the role of the Commission is probably diminished relative to the Council of Ministers, COREPER and the extra-legal European Council.

²³ Wincott himself finds 'hardly surprising' the importance of factors predicted by the LI model in EC grand bargains, and seeks simply to append 'an additional crucial element'. He flirts with the claim that an alternative theory might 'subsume' liberal intergovernmentalism. No such theory is presented, let alone one that provides a sufficient condition for integration (see also Ross, 1995).

in which the future consequences of actions are unknown and governments are incapable of conducting consistent, rational policies – LI would make little sense. I do not believe, however, that this is the world in which the EC has evolved. Unintended consequences and miscalculations have played a role at the margins, as they always do in social life. But the EC is no accident. It has been, for the most part, the deliberate creation of statesmen and citizens, sustained over 40 years. Therein lies the greatness of the political achievement and the depth of the social scientific puzzle.

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Book Reviews

Towards an Integrated Europe, by R. Baldwin (London: CEPR, 1994), ISBN 1-89812-813-8; xxvi+234 pp., £12.95.

Enlarging the European Union was never easy. Integrating diverse economies and political systems into a Union with demanding membership criteria has always entailed creating complex packages of costs and benefits, both for new members and incumbents. Each enlargement has increased the complexity of these packages even, as has been the case with the recent EFTA enlargement, when the applicants are small, rich democracies.

Yet, as Richard Baldwin argues, these complexities are dwarfed by those involved in the future enlargement of the EU to the east, accepted at the 1993 Copenhagen summit as the Union's long-term goal. Baldwin's study is an impressive synthesis of empirical economic analysis of developing trade patterns in Europe and cogently argued policy recommendations for implementing a new pan-European political and economic architecture.

The core of Baldwin's argument is that an eastern enlargement is improbable for several decades, given the present structure of the EU's budget; even the Visegrad Four, who are embarrassingly keen to join as soon as possible, are 25 per cent more agricultural and only 30 per cent as rich as the EU Twelve average. Extending the CAP to these four alone could increase the cost to US\$47bn in 2000. Under present Council voting rules, the Visegraders would receive more votes than Spain, Portugal, Ireland and Greece who would all be likely to block early enlargement. Further enlargement beyond the Visegraders is probably 30 years away.

Yet the strength of Baldwin's argument is in facing these facts honestly and proposing practical intermediate steps towards the goal of full enlargement. Identifying the substantial gains to all parties from comprehensive multilateral trade liberalization, Baldwin proposes an Association of Association Agreements, which would rationalize the current web of bilateral agreements and play an enforcement role in ensuring that the momentum of liberalization is maintained. Given the long transition period to full membership, Baldwin proposes an interim 'Organization for European Integration', similar in structure to the EEA, which would extend the Single Market eastwards, but would omit agriculture, migration and structural funding. The CEECs could move inwards from one concentric circle to the next when they are ready, against clearly stated criteria, presently absent from the Europe Agreements.